

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

IN RE: . Chapter 11  
TERRAFORM LABS PTE. LTD., . Case No. 24-10070 (BLS)  
Debtor. . (Jointly Administered)  
· . Courtroom No. 1  
· . 824 North King Street  
· . Wilmington, Delaware 19801  
· . Thursday, September 19, 2024  
· . 10:00 a.m.

TRANSCRIPT OF HEARING  
BEFORE THE HONORABLE BRENDAN L. SHANNON  
UNITED STATES BANKRUPTCY JUDGE

## APPEARANCES:

For the Debtor: Ronit Berkovich, Esquire  
F. Gavin Andrews, Esquire  
Clifford Carlson, Esquire  
Jesse Kitnick, Esquire  
WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, New York 10153

(APPEARANCES CONTINUED)

Audio Operator: Mandy Bartkowski, ECRO

Transcription Company: Reliable  
The Nemours Building  
1007 N. Orange Street, Suite 110  
Wilmington, Delaware 19801  
Telephone: (302) 654-8080  
Email: [gmatthews@reliable-co.com](mailto:gmatthews@reliable-co.com)

Proceedings recorded by electronic sound recording,  
transcript produced by transcription service.

1 APPEARANCES CONTINUED:

2 For the U.S. Trustee: Linda Richenderfer, Esquire  
Jane Leamy, Esquire  
3 OFFICE OF THE UNITED STATES TRUSTEE  
844 King Street, Suite 2207  
4 Lockbox 35  
Wilmington, Delaware 19801

5 For the Committee: Darren Azman, Esquire  
6 MCDERMOTT WILL & EMERY  
One Vanderbilt Avenue  
7 New York, New York 10017

8 For the SEC: William Uptegrove, Esquire  
U.S. SECURITIES AND EXCHANGE  
9 COMMISSION  
950 East Paces Ferry Road, NE  
10 Suite 900  
Atlanta, Georgia 30326

11 Michael Kelly, Esquire  
12 U.S. SECURITIES AND EXCHANGE  
COMMISSION  
13 100 F. Street, NE  
Washington, DC 20549

14 For Avalanche (BVI),  
15 Inc.: Ryan Fink, Esquire  
SIDLEY AUSTIN LLP  
16 One South Dearborn  
Chicago, Illinois 60603

17 For the Plan  
18 Administrator: Elizabeth Jones, Esquire  
KIRKLAND & ELLIS LLP  
19 KIRKLAND & ELLIS INTERNATIONAL LLP  
601 Lexington Avenue  
20 New York, New York 10022

21 Pro Se Litigants: Raminder Singh Hora  
22 Thomas Pierre Blanc  
Rex Wu

23

24

25

	<u>INDEX</u>	
1		
2	<u>MOTIONS:</u>	<u>PAGE</u>
3	Agena	
4	Item 5: Second Amended Chapter 11 Plan of	4
5	Liquidation of Terraform Labs Pte.	
6	Ltd. and Terraform Labs Limited	
7	[Docket No. 700 - filed September	
8	17, 2024]	
9	Court's Ruling:	46
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 (Proceedings commence at 10:04 a.m.)

2 THE COURT: Good morning, Ms. Berkovich. Its good  
3 to see you.

4 MS. BERKOVICH: Good morning, Your Honor. Nice to  
5 see you too. Ronit Berkovich from Weil Gotshal & Manges for  
6 the debtors, Terraform Labs Pte. Ltd., and Terraform Labs  
7 Ltd.

8 We filed the agenda for this mornings hearing at  
9 Docket 720.

10 THE COURT: I have it.

11 MS. BERKOVICH: Today is the confirmation hearing  
12 for the debtors second amended plan which was filed at Docket  
13 717 on September 17th. The redline was filed at 718. Our  
14 brief in support of confirmation was filed at Docket 703 and  
15 our plan supplement documents were filed at No. 653, 664, 684  
16 and 719.

17 I am joined in the courtroom today by my  
18 colleagues, Cliff Carlson, Jared Friedman, Gavin Andrews,  
19 Jesse Kitnick, Ismail Buffins, and Catherine Balido from Weil  
20 as well as our co-counsel, Zach Shapiro, from the Richards  
21 Layton firm. This whole team worked very hard to bring us  
22 where we are today.

23 Also present in the courtroom are the debtors two  
24 declarants in support of confirmation, Michael Leto who is  
25 the managing the director at Alvarez & Marsal, which is the

1 debtors financial advisor, as well as Emily Young, the  
2 director of corporate restructuring from Epiq, the debtors  
3 claims agent. We thank the Court for permitting Ms. Young to  
4 appear via Zoom.

5 THE COURT: Happy to oblige.

6 MS. BERKOVICH: So first a brief overview and  
7 proposed roadmap for the hearing. We are very pleased today  
8 to be before the Court with a plan that has the support of  
9 the two primary constituents in this case, the SEC and the  
10 creditors committee. It has been overwhelmingly accepted by  
11 all classes; all three classes entitled to vote on the plan.

12 We began these cases almost eight months ago  
13 embroiled in contentious litigation with the SEC. From the  
14 beginning of the cases our goal has always been to preserve  
15 and maximize value in light of the potential liability the  
16 debtors faced in the SEC enforcement action. After the jury  
17 verdict in the spring the debtors entered into settlement  
18 discussions with the SEC culminating in a settlement among  
19 all the parties which paved the way for the plan.

20 With input and cooperations from multiple  
21 stakeholders, including the SEC and the creditors committee,  
22 the plan we submit today incorporates the key terms of the  
23 SEC settlement including the orderly winddown of the debtors  
24 business through the creation of the winddown trust, fixing  
25 the SEC's claim of approximately \$4.4 billion and,

1 importantly, treating the SEC's claim as deemed satisfied  
2 only upon distributions -- deemed satisfied upon  
3 distributions to holders of allowed general unsecured claims  
4 and crypto loss claims, so, the SEC, effectively, will not be  
5 taking a distribution here, and establishing a dedicated pool  
6 of assets from the SEC settlement exclusively for  
7 distribution to holders of crypto loss claims.

8           Its worth noting that without this SEC settlement a  
9 plan would not have been achievable in this case and the  
10 other creditors would have received very, very little  
11 recovery due to the dilution from a multi-billion-dollar  
12 claim.

13           So, we would like to thank the SEC, the creditors  
14 committee, and the U.S. Trustee for working with us through  
15 some lengthy negotiations to achieve this result. We are  
16 here today on a nearly consensual basis. We have been able  
17 to resolve almost all of the formal and informal objections  
18 through changes to the plan which we filed last night and  
19 changes to the confirmation order which we will present to  
20 the Court later.

21           THE COURT: Okay.

22           MS. BERKOVICH: So, with that -- there are a few  
23 though unresolved objections which we are ready to deal with  
24 today.

25           THE COURT: Very good.

1 MS. BERKOVICH: So, with that overview here is how  
2 I would propose to proceed if it pleases the Court: first, if  
3 the Court would like a refresher on the plan I can provide a  
4 short summary.

5 THE COURT: No. I very much appreciate getting the  
6 blacklines, even as late as, I think, this morning they  
7 arrived and they were particularly helpful to me to track the  
8 changes; many of which I certainly can tie to the objections  
9 or what I could perceive would be areas of concern or  
10 friction between parties. So, I think I have a pretty good  
11 handle on the plan.

12 I have been through the objections as well as your  
13 memorandum. I will grant the motion to expand the briefing  
14 limits.

15 MS. BERKOVICH: I don't know how we can ever meet  
16 the limits in a confirmation brief given all the standards,  
17 but because I gave you a lengthy brief, I would actually  
18 propose that we don't have to give an affirmative case on the  
19 legal standards for satisfying confirmation and can rely on  
20 our briefs.

21 THE COURT: That is typically my approach. I will  
22 hear any objections and issues that parties have and if we  
23 need to focus on any or all of the 1129 and 1123 factors and  
24 elements then we can do that; otherwise, I note that Mr.  
25 Leto's declaration as well as the memorandum walk through

1 each of those and it does not seem to me, other than with  
2 some of the investor objections, I don't think that we are  
3 really implicating the 1129 issues as far as I can tell from  
4 the objections that remain live, but I am at the parties  
5 pleasure in that respect.

6 MS. BERKOVICH: I agree, Your Honor. So, I will  
7 next introduce the evidence. After that creditors committee  
8 counsel would like to say a few words in support of the plan,  
9 followed by Mr. Carlson who will speak to how we address and  
10 resolve the objection of Avalanche, a potential objection of  
11 Avalanche. Next Mr. Andrews will deal with the unresolved  
12 objections from the crypto loss claims. Finally, Mr. Kitnick  
13 will walk the Court through a few proposed changes to the  
14 confirmation order.

15 THE COURT: That sounds fine.

16 MS. BERKOVICH: So, turning to the affirmative case,  
17 Your Honor, I'd like to offer into evidence the two  
18 declarations filed with this Court that form the basis of the  
19 evidentiary record and factual record in support of today's  
20 hearing. First, I offer the declaration of Mr. Leto at  
21 Docket 706 as the direct testimony Mr. Leto would give if  
22 called to testify. Mr. Leto is in the courtroom and  
23 available for questions on cross-examination.

24 THE COURT: Very good. Are there any objections to  
25 the admission of Mr. Leto's declaration as part of the

1 debtors case in chief for purposes of plan confirmation  
2 subject to the opportunity to cross-examine Mr. Leto  
3 regarding the contents of his declaration and his testimony?

4 (No verbal response)

5 THE COURT: Hearing no response, Mr. Leto's  
6 declaration is admitted.

7 (Leto declaration received into evidence)

8 THE COURT: I would ask if there is any party that  
9 intends or expects to cross-examine Mr. Leto regarding the  
10 contents of his declaration.

11 (No verbal response)

12 THE COURT: Very well. Mr. Leto's declaration is  
13 admitted.

14 MS. BERKOVICH: Thank you, Your Honor. The debtors  
15 also offer the declaration of Emily Young from Epiq regarding  
16 the voting and tabulation of ballots at Docket 699 to be  
17 entered into evidence. As noted, Ms. Young is available for  
18 questions or cross-examination. She is on Zoom.

19 THE COURT: Very good. I would ask if anyone wishes  
20 to -- are there any objections to the admission of Ms.  
21 Young's declaration as the balloting certification for  
22 purposes of the debtors case in chief with respect to plan  
23 confirmation and particularly the results of the balloting  
24 exercise with those classes entitled to vote?

25 (No verbal response)

1                   THE COURT: Very well. Ms. Young's declaration is  
2 admitted.

3                   (Young declaration received into evidence)

4                   THE COURT: Is there any party that intends or  
5 expects to cross-examine Ms. Young regarding the contents of  
6 her declaration?

7                   (No verbal response)

8                   THE COURT: Very well. That declaration is  
9 admitted. The Court notes that at the request of counsel the  
10 Court did permit Ms. Young to testify remotely given the  
11 seemingly remote chance that she would actually be called to  
12 testify. So, happy to oblige in that respect. Both  
13 declarations are admitted.

14                  MS. BERKOVICH: Thank you, Your Honor. With that I  
15 will pass the podium to Mr. Azman from the McDermott firm.

16                  THE COURT: Very good.

17                  MR. AZMAN: Your Honor, good morning.

18                  THE COURT: Good morning. Good to see you.

19                  MR. AZMAN: Darren Azman from McDermott for the  
20 committee.

21                  Your Honor, the committee fully supports this plan  
22 and what it will accomplish for the victims of what we now  
23 know was a massive fraud. Importantly, the plan will create a  
24 trust that will be well-funded to pursue third parties for a  
25 variety of claims. And after an exhaustive process the

1 committee selected, with the consent of the debtors and the  
2 SEC, Todd Synder to serve as the plan administrator. Mr.  
3 Synder will be overseen by an advisory board of five  
4 individuals. Two of those individuals are committee members  
5 and the remaining three are going to be selected at a later  
6 date.

7 Together with what we expect will be more than \$200  
8 million of proceeds from the SEC settlement we are confident  
9 that this plan is going to result in meaningful recoveries to  
10 creditors both general unsecured creditors and also crypto  
11 loss claimants. There is also something quite noteworthy  
12 about the way this case unfolded that I want to quickly  
13 highlight. This was not a simple case. It was and still is  
14 quite complex. Yet, as Your Honor knows, we probably had  
15 five or six hearings and the parties very rarely require you  
16 to adjudicate anything in the case and that is not because  
17 there weren't disputes, it's not because this was a simple  
18 case, it's because we worked quite collaboratively in a  
19 productive way with both the debtors, their professionals,  
20 and the SEC.

21 THE COURT: So, I owe you one.

22 (Laughter)

23 MR. AZMAN: You owe me three. I just want to thank  
24 the debtors professionals, the SEC, and everybody that was  
25 involved because I just really think this case proceeded

1 smoothly and demonstrates that even in complex cases the  
2 parties can resolve things outside the purview of the Court  
3 to make your job a little bit easier.

4 THE COURT: Very good.

5 MR. AZMAN: So that is all I have, Your Honor,  
6 unless you have any questions.

7 THE COURT: I do not, Mr. Azman. Thank you.

8 MR. AZMAN: Thank you.

9 THE COURT: Counsel.

10 MR. CARLSON: Good morning, Your Honor. Cliff  
11 Carlson of Weil Gotshal on behalf of the debtors.

12 So, Your Honor, my section will be brief on this.  
13 There was a potential objection of the plan filed by  
14 Avalanche, a creditor of LFG. We have resolved that  
15 objection and we are very close to finalizing the terms of a  
16 settlement agreement that will facilitate the transfer of LFG  
17 assets to the estate. As a creditor of LFG, they had some  
18 concerns and raised some issues with that, but believe that  
19 the agreement we have reached, which is supported by the  
20 creditors committee as well, resolves those issues for  
21 purposes of today.

22 We expect to be finalizing that settlement  
23 agreement in the next day or so. We will be filing a motion  
24 with the Court to seek approval of that agreement. So, we  
25 will be back before Your Honor if there are issues with the

1 motion, but it resolves that objection.

2 Mr. Fink, who represents Avalanche, is in the  
3 courtroom. I do believe, because we haven't inked the  
4 settlement agreement yet, wants to read some reservation of  
5 rights into the record if it's okay with Your Honor.

6 THE COURT: Mr. Fink, welcome sir.

7 MR. FINK: Thank you, Your Honor. Ryan Fink from  
8 Sidley Austin on behalf of Avalanche (BVI), Inc.

9 I will keep things brief, Your Honor. Avalanche is  
10 a creditor and contract counterparty to one of the debtors as  
11 well as Luna Foundation Guard or LFG. Avalanche previously  
12 expressed concerns about the combined impact of the plan and  
13 the SEC settlement on LFG's creditors given that the  
14 settlement provides for the transfer of LFG's assets to the  
15 estates.

16 I am happy to report that after several weeks of  
17 discussions amongst the debtors, Avalanche, and the UCC, as  
18 debtor's counsel noted, we are preliminarily resolved subject  
19 to final documentation and the Court entering an order  
20 approving a settlement, which as debtors counsel noted, we  
21 expect the motion will be on file in the next few days.

22 Until the final consummation of that settlement, Avalanche,  
23 of course, reserves all of its rights and claims with respect  
24 to the asset transfer and the distribution of those assets to  
25 the debtors creditors.

1           Unless Your Honor has any questions, I will yield  
2 the podium back to the debtors counsel.

3           THE COURT: I do not have questions. Your rights  
4 are reserved and I will look for that motion to be filed and  
5 the Court will be happy to accommodate scheduling as it  
6 relates to that upcoming motion.

7           MR. FINK: Thank you, Your Honor.

8           THE COURT: Thank you, Mr. Fink.

9           Ms. Richenderfer.

10           MS. RICHENDERFER: Your Honor, Linda Richenderfer  
11 from the Office of the United States Trustee.

12           I had the benefit of being on vacation out of the  
13 country while all of this was going on. So, Ms. Leamy knows  
14 the ins and the outs of the plan and the revised confirmation  
15 order, and at the appropriate time will rise regarding the  
16 confirmation order.

17           THE COURT: Okay.

18           MS. RICHENDERFER: Your Honor, I rise because I  
19 thought this might be the point to talk about this and since  
20 we're talking about a settlement agreement that is not yet  
21 before the Court. Through different things that we saw on  
22 the docket this morning we have determined that the plan  
23 administrator is retaining, has retained Kirkland & Ellis to  
24 represent him. The debtor will be working with Kirkland &  
25 Ellis pre-effective date opening the kimono, I guess, and --

1                   THE COURT: I think we don't use that phrase  
2 anymore.

3                   MS. RICHENDERFER: Probably not, but you know, Your  
4 Honor, I'm still on Brazilian time or whatever that is, or  
5 I'm on mojito time, I should say.

6                   So, Your Honor, one concern I rise with respect to  
7 what happens, what the trust does post-effective date, of  
8 course, that is not within the purview of the United States  
9 Trustees Office but what occurs before the effective date is.  
10 And it is our understanding that there are potential causes  
11 of action that this trust might have against Celsius.  
12 Kirkland & Ellis was counsel to Celsius in their bankruptcy  
13 proceeding.

14                   There is nothing in this documentation, the  
15 agreement by which Mr. Todd and his counsel are going to be  
16 allowed to gain access prior to the effective date to the  
17 debtors information is not included in the materials Your  
18 Honor will be approving. I have been told that there will not  
19 be an order or an agreement put before the Court.

20                   So, there won't be another opportunity for the  
21 United States Trustee to raise this potential issue. There  
22 will be no payments, I understand, to Mr. Todd but definitely  
23 not to Kirkland prior to the effective date. But I just  
24 raise -- I couldn't let this one go by because it was just a  
25 concern regarding the fact that the plan administrator has

1 retained counsel who represented Celsius through the ins and  
2 outs of their entire bankruptcy proceeding and this trust  
3 that is taking over the claims of the debtor may have claims  
4 against Celsius and that was just something that we wanted to  
5 bring to the Court's attention.

6 THE COURT: Ms. Berkovich.

7 MS. BERKOVICH: Yes, Your Honor. I think Ms.  
8 Richenderfer is speaking to Paragraph 148 of our confirmation  
9 brief where we do note that to assist with the transition,  
10 which would benefit all creditors, we have begun providing  
11 information to Mr. Synder and to Piper Sandler. We are going  
12 to intend to enter into a consulting agreement with him to  
13 provide -- to preserve privilege and to provide for the  
14 payment of his fees and expenses because its helpful to  
15 creditors to have him start it as quickly as possible if  
16 there is a lot of information here to learn.

17 Paragraph 148 also says that this agreement would  
18 pay the fees and expenses owed to Mr. Synder's counsel that  
19 were incurred in connection with negotiating the terms of the  
20 winddown agreement. So, what I understand to be the case is  
21 that Kirkland is working currently on that limited function  
22 of negotiating the winddown trust agreement. There have been  
23 no --

24 THE COURT: So, he is representing -- Kirkland is  
25 representing Mr. Synder personally in terms of their counsel

1 that are assisting, at least -- I think the U.S. Trustees  
2 concerns were whether Kirkland would be in a significant  
3 post-effective date role for the trustee and I think what you  
4 are telling me is your understanding is that Kirkland is  
5 representing the trustee in terms of what -- in connection  
6 with the terms of his engagement and that the debtor would be  
7 reimbursing him for those expenses. Do I have that generally  
8 right?

9 MS. BERKOVICH: At this moment, yes. What I  
10 understand to be the case from Mr. Synder is that there has  
11 been no decision yet as to counsel for the trust post-  
12 effective date and that it would be taking into account the  
13 views of the advisory board. They would have input into  
14 that. That is the current situation, but all we are seeking  
15 to do is reimburse fees in connection with Mr. Synder's  
16 transition and the cost of counsel and negotiating the  
17 winddown trust agreement.

18 Mr. Synder's counsel, Ms. Jones, from Kirkland &  
19 Ellis is on the line if Your Honor has any questions.

20 THE COURT: Ms. Jones, good morning and welcome.

21 MS. JONES: Good morning, Your Honor. Elizabeth  
22 Jones of Kirkland & Ellis on behalf of the proposed plan  
23 administrator.

24 Your Honor, that is correct. Right now, our  
25 retention is only with respect to Mr. Synder's proposed

1 engagement and working with him to, basically, negotiate the  
2 plan administrator agreement. With respect to any post-  
3 effective date role, that is still subject to oversight by  
4 the litigation administration committee as well as our  
5 conflicts process.

6 We have disclosed to Mr. Synder the Celsius  
7 circumstance and it is something that we are aware and  
8 keeping track of and conflicts, but we have not reached that  
9 point as to whether and what role we would play with respect  
10 to pursuing any claims or causes of action that the estates  
11 may have.

12 THE COURT: Thank you, Ms. Jones.

13 I think here is -- Ms. Richenderfer, did you wish  
14 to weigh in?

15 MS. RICHENDERFER: I guess, Your Honor, with the  
16 representations that have been made on the record that this  
17 is solely to help him negotiate an agreement by which Mr.  
18 Synder and his firm, I think its Piper Sandler, are going to  
19 gain access and be reimbursed that is different then what our  
20 general understanding was.

21 I just wanted to put a fine point on this. There  
22 is supposed to be five people on the committee for the trust  
23 and right now there is only two. One is the Celsius  
24 litigation committee, whatever that is, and an individual.  
25 And so, again, concern was that counsel not be chosen for the

1 committee for the trust moving forward until they have been  
2 able to get a full committee and can make those decisions.  
3 The concern was that this was already chosen and it was going  
4 to be Kirkland & Ellis.

5 THE COURT: Here is where we will leave it for  
6 purposes of right now. It does not appear that there is any  
7 particular relief that is being sought from the Court today  
8 in connection with this matter. The United States Trustee  
9 has expressed some concerns about potential conflicts and  
10 issues that may manifest following the effective date. I  
11 have every confidence that productive discussions can be had  
12 with the United States Trustee to address any issues.

13 I make no comment about whether or not either I or  
14 the United States Trustee can or should weigh in on post-  
15 effective date operations and decisions. I will leave that  
16 to the parties. If there are issues or real concerns the  
17 parties are welcome to get me on the phone promptly. I don't  
18 see this as being an issue in connection with plan  
19 confirmation certainly, with respect to the services that are  
20 being provided for Mr. Synder, at least at this point.

21 What I did note was that it does not -- those are  
22 the services that are being provided, but I think counsel was  
23 careful to note that those are the services that are being  
24 provided at this point and its not clear whether there may be  
25 additional or other services that might occur. That is a

1 discussion that I think you can have. Again, I make no  
2 comment on the substance of it at this point. I appreciate  
3 the United States Trustee, again, reading. Paragraph 148 is  
4 about halfway through the brief.

5 MS. RICHENDERFER: Ms. Leamy had to point it out  
6 to me, I had not gotten that far myself. Yeah, Your Honor.

7 And to be very clear, the point in time we're  
8 concerned about is between --

9 THE COURT: The gap.

10 MS. RICHENDERFER: -- the confirmation date and  
11 the effective date, the gap, what role they would be playing,  
12 but there's a limited role right now, as we understand it.

13 THE COURT: Okay.

14 MS. RICHENDERFER: And if it develops, we'll be in  
15 front of the Court again on the 9019 motion anyway with  
16 Avalanche, so --

17 THE COURT: So noted.

18 MS. RICHENDERFER: Thank you, Your Honor.

19 THE COURT: Thank you.

20 MR. ANDREWS: Your Honor, good to see you again --

21 THE COURT: Welcome.

22 MR. ANDREWS: -- Gavin Andrews from Weil Gotshal  
23 for the debtors.

24 THE COURT: Good to see you.

25 MR. ANDREWS: Your Honor, as you would have seen,

1 there were six individual objections to the plan that were  
2 filed, and we address these objections at pages 74 to 85 of  
3 our brief. I think, at a very high level, these objections  
4 can be classified into three different categories. Firstly,  
5 the crypto loss claims are given a smaller recovery  
6 percentage than general unsecured claims, and that these loss  
7 claims should be at least equally -- should be treated at  
8 least equally to the general unsecured claims. Secondly,  
9 that certain claims within Class 5, being crypto loss claims,  
10 should recover better treatment than other claims within this  
11 class, being holders of UST, should recover ahead of other  
12 crypto loss claims such as LUNA holders, and the other large  
13 institutional investors are being treated *pari passu* to non-  
14 institutional investors within that class as well. And then,  
15 thirdly, that the Beltran allowed secured claims of Class 3  
16 are prioritized over the crypto loss claims when both sets of  
17 claims are based on cryptocurrency.

18 Your Honor, I can address these objections, if  
19 you'd like, but if you'd prefer, you might want to see if  
20 there are some objecting parties on the line.

21 THE COURT: I think that that would make sense.  
22 The Court notes that the agenda and the record before me  
23 identifies a number of objections filed by holders of  
24 cryptocurrency, and I agree generally with Counsel's  
25 description of the buckets or categories into which the

1 objections fall.

2 There are a number of parties and I think the  
3 easiest thing to do would be for the Court to ask first are  
4 there any objecting creditors present in the courtroom today?  
5 I'll turn to parties participating via Zoom momentarily, but  
6 I would ask, any parties present in the courtroom?

7 (No verbal response)

8 THE COURT: All right, hearing none, I note that  
9 the -- hang on just a second -- I would be happy to hear at  
10 this point from any of the objectors that wish to be heard in  
11 connection with their filed oppositions to the plan. I know  
12 that there are a number of folks that are on, so I will hear  
13 from any party and every party that wishes to be heard.

14 MR. HORA: Okay, so I'll go first. My name is  
15 Raminder Singh B. Hora --

16 THE COURT: I'm sorry, hang on --

17 MR. HORA: -- and my objection is --

18 THE COURT: -- this is -- this is Judge Shannon,  
19 can you -- and I believe that this is Raminder Hora, is that  
20 correct?

21 MR. HORA: Yes.

22 THE COURT: Okay. I'm going to ask, Mr. Hora, if  
23 you can get a little closer to your microphone, we're having  
24 a little bit of difficulty hearing you. I do see you on the  
25 screen now. Good morning, sir, and welcome.

1 MR. HORA: Good morning, sir.

2 THE COURT: All right, I can hear you much better  
3 now. You may proceed.

4 MR. HORA: My objection is one that the UST claim  
5 must be clarified (indiscernible) LUNA because one, UST was a  
6 stablecoin and LUNA itself was (indiscernible) my second  
7 objection is that Beltran secured claims must not be treated  
8 as secured because they have very similar claims to ours, and  
9 the other three (indiscernible) the Beltran suit allowed the  
10 (indiscernible) to be part of the suit was decided based on a  
11 comity which rejected many of the claims which were not big  
12 in size or when they found that the claimant was not willing  
13 to (indiscernible) whatever was (indiscernible). So I  
14 believe that is not as per the law and they should not have a  
15 secured claim at all because they eat up a lot of the money  
16 that is being offered by TFL and it will leave nothing for  
17 the other creditors at all.

18 These are my four objections.

19 THE COURT: Thank you, Mr. Hora. I was able to  
20 hear you clearly. I appreciate your comments.

21 And I would hear at this point, I see that, I  
22 believe it's Mr. Pierre Blanc, Mr. Thomas Pierre Blanc is on  
23 the line. Am I correct, sir?

24 MR. BLANC: Yeah, that's me. Can you hear me?

25 THE COURT: I can hear you just fine. Good

1 morning and welcome.

2 MR. BLANC: Okay. Good morning, Your Honor.

3 Thank you for having me on for Zoom meeting.

4 So, yeah, basically, I'm French, I live in France.  
5 I tried to represent as a (indiscernible) I'm just a retainer  
6 and a small investor, I tried to represent the voice of many  
7 small investors from Terra LUNA. My objections were related  
8 to the fact that we should really prioritize as there were  
9 precedents the small investors, compared to the large  
10 investor, whoever (indiscernible) in respect of  
11 (indiscernible) considering that UST was literally not the  
12 same investment as LUNA, which was volatile.

13 So these are my objections, but I would like to  
14 add something relating to the voting (indiscernible) of the  
15 confirmation. So I see everybody has appeared and all class  
16 -- all Class 4, 5, and 6 voted yes for a plan, and even Class  
17 5, 96 percent of people voted yes, but because literally in  
18 Class 5 we have no other choice because we were told that, if  
19 we were voting no (indiscernible) Chapter 11 would transform  
20 in Chapter 7 with zero (indiscernible) to be convert from our  
21 class. So (indiscernible) all people from Class 5 had no  
22 choice, they all vote yes; otherwise, nothing trigger, but  
23 that doesn't mean that other people are in agreement with all  
24 the aspect of a plan.

25 So a lot of people followed my objections, but

1 were forced to vote yes because they didn't want it to  
2 (indiscernible) .

3 THE COURT: Thank you, Mr. Blanc.

4 I see Mr. Wu on the line. Sir, do you wish to be  
5 heard?

6 MR. WU: Your Honor --

7 THE COURT: I can hear you. Go ahead.

8 MR. WU: Please excuse me, I have a little bit of  
9 a speech impediment. I'll try to be as clear as possible.

10 I'm objecting to (indiscernible) on September  
11 17th, the debtor presented new information after the date to  
12 object to the Chapter 11 plan, filed Docket 703, debtors'  
13 memorandum of law in support of confirmation of second  
14 amended Chapter 11 plan of liquidation of Terraform Labs,  
15 that memorandum. In the memorandum, the debtor stated that  
16 there was a total of only 306 votes of yes for the 12 votes  
17 for no. There was a total of 318 votes out of 6.8 trillion  
18 (indiscernible) tokens held on five million wallets.

19 The low turnout of votes points to the debtors'  
20 failure to (indiscernible) Rule 3017 (indiscernible)  
21 solicitation package to all (indiscernible) holders in  
22 violation of Bankruptcy Rule 3017. Here Classes 4, 5, and 6,  
23 Bankruptcy Rule 3017 was applied with prejudice against Class  
24 5. Classes are impaired, but only holders of Class 4 and 6  
25 were mailed out solicitation packages (indiscernible) while

1 only the holders of Class (indiscernible) class claim were  
2 mailed a solicitation package.

3 Also requiring a claim filing in order to receive  
4 a solicitation package would (indiscernible) to believe that  
5 the holders of Class 5 (indiscernible) the solicitation  
6 package only after the voting began.

7 Docket 572, proposed disclosure statement and form  
8 and manner of notice of disclosure statement hearing,  
9 establishing solicitation and voting procedures, cure  
10 procedures, (IV) scheduling confirmation hearing,  
11 establishing notice and objection procedures for confirmation  
12 of proposed plan, and (VI) granting related relief.

13 Solicitation packages were approved and Class 5  
14 will not be sent any solicitation package until after voting  
15 began (indiscernible) Bankruptcy Rule 3017 is attempting to  
16 do. Bankruptcy Rule 3017(d) explicitly states  
17 (indiscernible) transmission and notices to the United States  
18 Trustee, the creditors (indiscernible) token holders and  
19 equity holders. Bankruptcy Rule 3017 was not met to identify  
20 many more holders (indiscernible) though, which can be  
21 obtained by other validators plus some detective work by  
22 (indiscernible) IP address and publicly available  
23 information.

24 The efficient way is to simply contact the crypto  
25 exchanges, their clients have to KYC, which stands for know

1 your client, in which an ID or driver's license  
2 (indiscernible) information are required at signup  
3 (indiscernible) 3017 is not met (indiscernible) checked it  
4 and was denied approval (indiscernible) tokens and USTC  
5 stablecoins do not meet the Bankruptcy Code 510(b),  
6 Bankruptcy (indiscernible) 22, and Bankruptcy Code 1123(a)(1)  
7 (indiscernible) 4 stated on my objection (indiscernible)  
8 stablecoins listed on my objection should not be classed in  
9 Class 5 (indiscernible) rulings on with cryptocurrencies or  
10 securities, each case should be looked upon individually  
11 (indiscernible) did not satisfy the Howey test, ruled that  
12 XRP as a digital token is not in and itself a contract,  
13 transaction, or a scheme that embodies the (indiscernible)  
14 requirement of (indiscernible) contract. Instead, the court  
15 held it should look to the totality of the facts and  
16 circumstances.

17 The court held that the anonymity between  
18 (indiscernible) buyers and Ripple (indiscernible) sales did  
19 not satisfy the Howey test because these transactions could  
20 not lead to, you know, profits solely from the efforts of the  
21 promoter or a third party. LUNC tokens are also  
22 (indiscernible) daily (indiscernible) tokens (indiscernible)  
23 changes daily. These shares of equity in the company does  
24 not change every day and it would throw the corporate  
25 structure and reporting (indiscernible) is also a currency

1 (indiscernible) and can be used to NFTs, equity cannot do  
2 that.

3 For these reasons, tokens should not be Class 5,  
4 be placed in Class 5, and I request the Honorable Court to  
5 reject the liquidation plan.

6 THE COURT: Thank you, Mr. Wu.

7 Are there other parties that wish to be heard in  
8 opposition to the debtors' request for confirmation?

9 (No verbal response)

10 THE COURT: Very good.

11 Mr. Andrews, I would appreciate your response to  
12 the arguments that have been raised.

13 MR. ANDREWS: Thank you, Your Honor, and I will --  
14 there was a lot in there, but I'll take it sort of one piece  
15 at a time and let me know if you have any questions.

16 I think, firstly, dealing with the points about  
17 holders of UST, and also sort of the individuals verse the  
18 large investors recovering and being in the same class. So,  
19 Your Honor, the plan contemplates that there will be crypto  
20 loss claim procedures, these procedures will be filed by our  
21 motion, and that parties that want to be heard or have some  
22 input on these procedures will be able to do so at that  
23 point.

24 Of course, we have sympathy -- we do have sympathy  
25 for these people, including Mr. Wu and Mr. Blanc. We

1 understand that, you know, they were -- they're smaller  
2 investors, they hold UST, and that they are different to LUNA  
3 holders. And the -- you know, these considerations should be  
4 passed on to the plan administrator when they're compiling  
5 these procedures. But, importantly, these procedures are  
6 providing for the legitimacy of these claims, not just for  
7 people on the line today, but of course all crypto loss claim  
8 holders, how these claims were -- what type of claims they  
9 are, and may take into account the type of holder of these  
10 claims.

11 So the bottom line is, Your Honor, is that these  
12 procedures may very well provide for the fact that UST  
13 holders could recover on their claims at a higher proportion  
14 than say certain other crypto holders such as LUNA.

15 And I think --

16 THE COURT: Let me ask you a follow-up question.

17 MR. ANDREWS: Sure.

18 THE COURT: Do I have to find that that will  
19 happen, or is the plan confirmable even if it provides for  
20 similar treatment to large and small holders of UST and LUNA?

21 MR. ANDREWS: There is a high degree of complexity  
22 as in this business, the claim holders, where these claims  
23 were -- how these claims arose. I think there are going to  
24 be lots of different facts and circumstances just within  
25 people who potentially lost UST. I mean, I think they -- the

1 objectors on the call today probably lost their claims as a  
2 result of the depeg perhaps, but there might be other UST  
3 holders who lost it in different circumstances.

4                   The procedures will take some time to develop and  
5 it is very complex, and we need to allow the plan  
6 administrator to undertake that process. And of course at  
7 that time all the parties on the line today and other crypto  
8 loss claims holders will be able to provide their input at  
9 that time.

10                  THE COURT: Very good.

11                  MR. ANDREWS: So the next -- I think the next  
12 objection was in respect to Beltran. So --

13                  THE COURT: This relates to the litigation in  
14 Singapore that we had proceedings on probably a month or so  
15 -- more than a month ago.

16                  MR. ANDREWS: That's right, Your Honor. The  
17 Beltran claimants -- I mean, I take the point that it was --  
18 their claims are based on cryptocurrency also. The debtors'  
19 view, and which was encompassed in the stipulation that Your  
20 Honor ordered earlier this month, is that these claims do  
21 have -- are secured and, therefore, should be properly  
22 classed in a separate class in Class 3. And these claims  
23 will only be allowed to the extent as determined by the  
24 Singapore high court and up to the amount of the Beltran  
25 escrow deposit, the remainder of which would be returned to

1 the estate.

2                   And I think the last point, Your Honor, was in  
3 respect to solicitation that Mr. Wu raised. So there was I  
4 guess two separate processes here, Your Honor. We wanted to  
5 -- we didn't know earlier in the case the universe of crypto  
6 claim holders, so we established what was called the  
7 preliminary crypto loss bar date. This was -- the bar date  
8 order was served on all of the creditor matrix, it was also  
9 published in the New York Times and CoinDesk, you know, what  
10 we probably could consider more traditional media. And in  
11 addition to that, Your Honor, the bar date was also -- the  
12 debtors took some time to consider what mediums the bar date  
13 would be -- would be best to be published on in respect to  
14 the Terra ecosystem, and what kind of creditors would access  
15 those ecosystems. So -- and the platforms that they did so  
16 were Twitter, Mediadiscord, and Telegram.

17                   Now, Your Honor, I'm not sure how big of a Twitter  
18 user you are, but you can pin certain things to the Twitter  
19 page and the bar date, same with the confirmation order was  
20 pinned to the Twitter page.

21                   THE COURT: I understand.

22                   MR. ANDREWS: And importantly, Your Honor, the  
23 crypto -- the preliminary crypto loss bar date order was done  
24 in consultation with the creditors committee and with  
25 comments from the U.S. Trustee. Subsequent to that, our

1 solicitation procedures were ordered by the Court, we  
2 followed those procedures and, very similar to the service of  
3 the crypto loss bar date order, we proceeded to do it,  
4 publish it by traditional media like the New York Times and  
5 CoinDesk, and then also do the same thing in respect to the  
6 social media platforms.

7 So, you know, we would contend, Your Honor, that  
8 the crypto loss bar date was properly served. So we were  
9 able to establish the universe of claims at that time, and  
10 then everyone had the opportunity to access at least or  
11 receive the confirmation hearing notice.

12 THE COURT: Very good.

13 Can I hear from the parties, if you wish, in brief  
14 response to Mr. Andrews' comments regarding your objections?  
15 And I would start with Mr. Hora, if -- I believe I had you --  
16 there you go. Good morning again, Mr. Hora. Did you wish to  
17 respond briefly to Mr. Andrews' comments?

18 (Pause)

19 THE COURT: Can you turn your microphone on, sir,  
20 please?

21 MR. HORA: Yes. So, basically, my objection to  
22 this is that when you say that the Beltran claim is secured  
23 to the extent of the escrow, however, the Beltran claim is  
24 not legal and it's not on a basis -- not on a factual basis.  
25 It should be actually lifted because (indiscernible) that a

1 certain set of (indiscernible) that had very similar claims  
2 to other UST holders are being prioritized, and it is not --  
3 it does not compliment or like the justice system or  
4 (indiscernible) all of the (indiscernible) and it just  
5 benefits a certain set of investors who approached the  
6 (indiscernible) and got an (indiscernible) that actually  
7 belongs to the investors equally.

8 Therefore, I think the Court should not put them  
9 into Class 3, but they should all be into the Class 5 because  
10 it is not the legal or factual basis, or it doesn't justify  
11 the claimants to be secured as for the escrow amount.

12 So that's my objection to this.

13 THE COURT: Thank you, Mr. Hora.

14 Mr. Blanc, did you wish to be heard in response as  
15 well?

16 MR. BLANC: Yes, thank you. So just to be clear,  
17 as I understand it, unfortunately, I will have no guarantee  
18 that if we have a confirmation of a plan small investors will  
19 be prioritized, so I plan to file again my objections in the  
20 future with the plan administrator.

21 THE COURT: Very good. Thank you, Mr. Blanc.

22 Mr. Wu?

23 (Pause)

24 THE COURT: Mr. Wu, you need to turn your  
25 microphone on, sir.

1 MR. WU: Can you hear me, Your Honor?

2 THE COURT: Yes, I can.

3 MR. WU: Wasn't counsel's explanation, it's not  
4 adequate?

5 THE COURT: I'm sorry?

6 MR. WU: Rule 3017 was not met. The more proper  
7 way to reach out to the LUNC holders would probably be  
8 through the exchanges on the information that a trader can  
9 contact (indiscernible) voting for the Class 5. So it's  
10 grossly inadequate.

11 THE COURT: Okay.

12 MR. AZMAN: Your Honor, could I just make a few  
13 brief --

14 THE COURT: Mr. Azman, yes.

15 MR. AZMAN: -- comments that might help on a  
16 couple of these issues?

17 Again, Your Honor, Darren Azman from McDermott for  
18 the Committee. Just briefly on the Beltran issue, one, it  
19 was already essentially decided through a stipulation  
20 previously, but I will -- I wanted to say on the record for  
21 the investors that are on the call speaking now that the  
22 Committee looked at the Beltran issue quite extensively.

23 There's actually -- unfortunately, those Beltran  
24 claimants beat other crypto investors to the court and they  
25 did it in Singapore, which has very different laws than the

1 U.S. does. And there is case law in Singapore that says this  
2 is secured.

3 And so we looked at other creative ways, because I  
4 agree with the Objectors here, it is unfair that the Beltran  
5 claimants are going to have access to a very large amount of  
6 cash that's sitting in escrow there and that other creditors  
7 are not going to be able to top those dollars. But the  
8 reality is that there was no creative around this and the  
9 Singapore law is what it is.

10 THE COURT: I understand.

11 MR. AZMAN: On the small investors issue, the  
12 Committee also sympathizes with the smaller investors here,  
13 but there just is no legal right, as Your Honor knows, under  
14 the Bankruptcy Code, for smaller investors to get more or  
15 better recoveries than larger investors.

16 There is, as Your Honor knows, a mechanism the  
17 debtors could have chosen to create separate classes, a  
18 convenience class, but through negotiations with the  
19 Committee, the plan is what the parties negotiated and what's  
20 been proposed to the Court.

21 That's all I have, Your Honor. Thank you.

22 THE COURT: Okay. I am going to overrule the  
23 objections and I will give you my reasons.

24 First, I certainly sympathize with the losses that  
25 have been suffered by all of the creditors here, retail

1 investors, and large institutional investors, or larger  
2 investors, as well. And to the extent that it is within the  
3 Court's power to assist in ensuring that there is a recovery,  
4 you should understand that I am, in fact, committed to that.

5           But as I look at the objections, and, again, I  
6 appreciate the concerns that have been raised and, frankly, I  
7 ascribe significance to the fact that the fiduciary for all  
8 unsecured creditors, the Official Committee of Unsecured  
9 Creditors, in large measure, agrees with some of the concerns  
10 around considerations and acknowledges that some of the  
11 treatment that the Objectors would wish for is, has been made  
12 available in other cases, but it's not part of the plan  
13 that's here.

14           I start with the concern and the objection raised  
15 that the plan does not provide for a superior recovery for  
16 smaller investors whose economic loss is, perhaps,  
17 presumptively more significant or more painful than for  
18 larger investors. The Bankruptcy Code is built upon a  
19 principle of equal treatment between creditors that are  
20 similarly situated. The Court knows that there are some  
21 cases, crypto and, otherwise, where smaller creditors are  
22 often treated in a particular way that is different from  
23 larger or institutional creditors. That is an exception to  
24 the rule and that is not a process that this Debtor has  
25 chosen to pursue. So I don't find that there is

1 inappropriate or unfair discrimination between the creditors.

2 I would note, also, that to the extent the  
3 concerns and objections are relating to the proposed plan  
4 treatment, first, counsel has noted that the plan treatment  
5 itself will be the subject of the development of procedures  
6 that will be developed on a post-confirmation basis and there  
7 may be the opportunity for a meaningful recovery through that  
8 process. But I'm not satisfied that there's inappropriate or  
9 unfair discrimination as to creditors, and I would overrule  
10 the objection on that respect.

11 With respect to the Beltran issue, again, the  
12 Court conducted proceedings on several occasions. There was  
13 a Beltran objection that was filed early on; that matter was  
14 carried and I assume -- actually, I don't assume -- I was  
15 advised by parties at a further hearing that there was  
16 extensive negotiation and the Committee expressed real  
17 concern about, frankly, the superior treatment of creditors  
18 that were beneficiaries of the litigation in Singapore, but  
19 again, the Court conducted a hearing and then the parties  
20 actually reached a consensual resolution, the practical  
21 effect of which is to treat the Beltran creditors as secured.

22 And that is, as counsel noted, a simple function  
23 of parties getting legal relief prior to the Court, prior to  
24 this Court having jurisdiction or control over the matter.  
25 The significant escrow was posted; it remains within the

1 Singapore Court and sophisticated parties, represented by  
2 able professionals, negotiated a proposed treatment based  
3 upon their own assessment of it and the Court has already  
4 approved that treatment. While I, again, sympathize that the  
5 Beltran creditors are receiving a superior return, likely, on  
6 what appear to be identical creditors, the circumstances have  
7 afforded them superior rights.

8                   And, finally with respect to the concerns  
9 articulated by Mr. Wu, with respect to the sufficiency and  
10 adequacy of solicitation, the Court notes that we did conduct  
11 a hearing back in the beginning of August in connection with  
12 the debtors' request for authority to move forward with the  
13 plan. The debtors' disclosure statement, along with its  
14 proposed solicitation materials, and a description of the  
15 mechanics of the proposed solicitation process was filed and  
16 served, consistent with the applicable rules.

17                   I've had an opportunity both, before the hearing  
18 and right now, to review the Court's order, which is dated  
19 August 8th, appearing at Docket 572, which lays out the  
20 process for the form and manner of voting on the plan and the  
21 form and manner of notice to stakeholders, and I am satisfied  
22 that the record developed before me here today does reflect  
23 compliance with those procedures. Again, I understand  
24 Mr. Wu's concerns, and this is not the Court's first crypto-  
25 related case and these cases are often noted or associated

1 with a challenge in identifying the potential stakeholders.  
2 But I'm satisfied here that the Court's order was well-  
3 founded. It is a final order and was not appealed and the  
4 debtors have complied with that order.

5                   And, again, I ascribe significance, once again, to  
6 the role and support of the Official Committee of Unsecured  
7 Creditors in that process to ensure that the solicitation and  
8 notice process that the debtors embarked upon was, indeed,  
9 sufficient and appropriate. So I will overrule the  
10 objections that have been identified in the agenda and we can  
11 move forward.

12                   Mr. Andrews?

13                   MR. ANDREWS: Thank you, Your Honor.

14                   Just one other comment from me. The United States  
15 Trustee did file an objection, also, to the plan, I believe,  
16 without amendments, subsequent amendments to the plan and the  
17 confirmation order. This objection has been resolved.

18                   THE COURT: Ms. Leamy, good morning. Good to see  
19 you.

20                   MS. LEAMY: Our objection is resolved.

21                   THE COURT: The United States Trustee's objection  
22 is resolved. Very good.

23                   Mr. Andrews?

24                   MR. ANDREWS: Yeah, with that, Your Honor, I will  
25 pass the podium on to my colleague, Mr. Kitnick, to go

1 through changes to the confirmation order.

2 MR. KITNICK: Good morning, Your Honor. Jesse  
3 Kitnick, with Weil, Gotshal & Manges, for the debtors.

4 THE COURT: Welcome.

5 MR. KITNICK: At this time, I'd like to walk the  
6 Court through a few changes to the proposed confirmation  
7 order that we made since we filed, to the version we filed on  
8 September 17th at Docket 702. I have a redline copy with me.

9 May I approach?

10 THE COURT: That would be great, thank you.

11 Thanks.

12 MR. KITNICK: So a number of these changes are  
13 purely technical modifications. We can start with the first  
14 substantive --

15 THE COURT: Right. We can skip the technical --

16 MR. KITNICK: Yeah.

17 THE COURT: -- and/or conforming changes, et  
18 cetera.

19 MR. KITNICK: Sure.

20 So the first one is on page 19 at paragraph 3.  
21 Here, we added some language to provide that the wind-down  
22 trust documents are binding only upon execution thereof.

23 THE COURT: Okay.

24 MR. KITNICK: The next one is on page 21,  
25 paragraph 6. We removed the reference to Bankruptcy

1 Rule 9019, which was a comment that we received from the U.S.  
2 Trustee. It looks like we missed one, which we'll have to  
3 amend in the --

4 THE COURT: Oh, yeah. Okay.

5 MR. KITNICK: The next change is on paragraph 8 on  
6 page 22. Here, we added certain language that provides that  
7 the plan administrator may seek, either through motion or the  
8 Crypto Loss Claims procedures in order permitting holders of  
9 general unsecured claims or Crypto Loss Claims to sell or  
10 transfer their claims.

11 The next one on paragraph 9, this was another  
12 modification that provides the debtors with the right to  
13 amend the plan supplement through the effective date with the  
14 consent of the Creditors Committee.

15 THE COURT: Okay.

16 MR. KITNICK: On page 23, paragraph 11, we've  
17 added some additional language related to the sale of certain  
18 venture investments. These were modifications that we agreed  
19 to make with counsel to Standard Crypto, and the purpose is  
20 to preserve the parties' rights while we negotiate a purchase  
21 agreement.

22 Paragraph 25 or page 25, rather, on paragraph 16,  
23 these changes relate to the deadline to assume or reject the  
24 executory contracts and the modifications allow the debtors  
25 and the contract counterparties to extend the deadline, if

1 necessary.

2 The next one is on page 29, paragraph 25.

3 THE COURT: Let me ask you a question.

4 MR. KITNICK: Sure.

5 THE COURT: I don't think I've been asked this  
6 question before, but as I read the change to 16, it  
7 provides -- oh, okay, any extension beyond the effective date  
8 would be with consent of nondebtor counterparty.

9 MR. KITNICK: Correct.

10 THE COURT: Okay.

11 MR. KITNICK: Yes.

12 THE COURT: Right.

13 MR. KITNICK: Page 29, paragraph 25, here, we  
14 clarify that the debtors will publish the notice of effective  
15 date in the same manner as the confirmation notice, which my  
16 colleague described earlier.

17 THE COURT: Okay.

18 MR. KITNICK: And the final change is on page 37,  
19 paragraph 35, which relates to the Relm D&O insurance policy  
20 and we just clarify that it shall be terminated retroactive,  
21 effective -- with a retroactive effective date of  
22 December 28th, 2023.

23 So we plan to file the notice in the version of  
24 the order, the notice of effective date, rather, in the  
25 version of the order that we submit under COC after the

1 hearing and that's all the changes.

2 THE COURT: Very good.

3 Ms. Berkovich?

4 MS. BERKOVICH: Thank you, Your Honor.

5 With the Court indicating that it will approve the  
6 confirmation order, the debtors will work expeditiously --

7 THE COURT: I don't think I said that.

8 MS. BERKOVICH: Oh, I thought you overruled the  
9 objections, excuse me.

10 So we request that the Court enter the  
11 confirmation order with the modifications that Mr. Kitnick  
12 put into the record.

13 THE COURT: I'd like to hear from the SEC, please.

14 Good morning, Counsel.

15 MR. KELLY: Good morning, Your Honor.

16 Mike Kelly for the Securities and Exchange  
17 Commission. My colleague Bill Uptegrove is on the line.

18 THE COURT: Mr. Uptegrove, good morning. Good to  
19 see you.

20 MR. UPTEGROVE: Good morning, Your Honor.

21 THE COURT: I'd note that the Securities and  
22 Exchange Commission has been active in this case and has come  
23 up a number of times in parties' comments. I'd just like to  
24 hear from the United States -- from the Securities and  
25 Exchange Commission if they have any position or comments

1 with respect to the request for confirmation.

2 MR. KELLY: Yes, Judge.

3 The Commission supports the request for  
4 confirmation. The Commission, as you heard, we're the  
5 largest creditor in this case. The Commission's complaint is  
6 based on a \$4.4 billion judgment that was entered against the  
7 debtor in the Southern District of New York. That was a  
8 judgment that filed a jury trial and after which the parties  
9 entered into a negotiation that resulted in an entry of a  
10 judgment by agreement. The claims that were resolved by the  
11 judgment had to do with violations of Section 5, as well as  
12 violations of the antifraud securities statutes.

13 The consent and the judgment memorialized, it  
14 established the amount of the judgment, and also memorialized  
15 a number of bankruptcy-specific agreements between the  
16 Commission and the debtor. Under the agreement, the debtor  
17 was obligated to quickly wind-down operations and seek  
18 confirmation of a plan that included certain key-agreed  
19 bankruptcy. Under the agreement, the Commission agreed to  
20 allow other claimants, including victims, to recover on their  
21 claims for any distribution to be made to the Commission.

22 In the words of the judgment, the Commission's  
23 claim would be deemed satisfied upon a distribution by a  
24 liquidating trustee or other estate representative, to  
25 creditors and investors, pursuant to a confirmed liquidating

1 Chapter 11 plan that incorporated the terms of the  
2 settlement. The settlement also required that co-Defendant  
3 Do Kwon, caused his personal assets and the assets of LUNA  
4 Foundation Guard to be transferred into the bankruptcy estate  
5 and that those funds and those assets would be earmarked for  
6 distribution to harmed investors.

7 So after a careful review, the Commission is  
8 satisfied that the plan incorporates the agreed terms and,  
9 otherwise, represents a good result for victims. As a  
10 result, the Commission has voted to accept the plan and it  
11 supports plan confirmation.

12 If the Court does confirm the plan, the Commission  
13 will remain on to monitor how the liquidation trustee  
14 implements it, including by weighing in and commenting upon  
15 the forthcoming Crypto Loss Claims procedures motion, which  
16 will set out substantive treatment of how claims of various  
17 victims will be dealt with.

18 THE COURT: Very good. Thank you, Mr. Kelly.

19 I would note that I very much appreciate you and  
20 your colleague's engagement in these proceedings, and,  
21 obviously, the settlement is a favorable one for stakeholders  
22 here and certainly welcome, given the alternatives, in terms  
23 of litigation or allowance of that claim for other parties.  
24 So I appreciate the comments and the report.

25 MR. KELLY: Thank you, Your Honor.

1                   THE COURT: Very good.

2                   Are there any other parties that wish to be heard  
3 in connection with the debtors' request for an order  
4 authorizing and approving confirmation of their plan?

5                   (No verbal response)

6                   THE COURT: Very well.

7                   I am going to enter an order confirming the plan.  
8 In so ruling, I note that the Court has admitted the  
9 declaration of Mr. Leto. That declaration identifies the  
10 terms of the plan, identifies with particularity, the  
11 requirements under Bankruptcy Code 1123 and 1129, and  
12 identifies how the plan satisfies or meets all of those  
13 requirements.

14                  In addition, the Court has admitted the  
15 declaration of Ms. Young; that declaration reflects  
16 overwhelming creditor support through the balloting process  
17 in the classes that were entitled to vote and certainly  
18 satisfies the Bankruptcy Code's standards and requirements  
19 for confirming a plan.

20                  In addition, I note, as we've discussed, the  
21 debtors have filed a comprehensive memorandum in support of  
22 plan confirmation addressing both, the elements, as well as  
23 the objections to the plan. That memo is obviously not  
24 evidence, but it certainly part of the record before me and,  
25 again, further buttresses the debtors' case that it has,

1 indeed, satisfied the requirements of the Bankruptcy Code for  
2 purposes of plan confirmation.

3 The Court has addressed the objections. I note  
4 that most objections have been resolved; to the extent not  
5 resolved, those objections are overruled.

6 And, again, in ruling upon the debtors' request  
7 for plan confirmation, I place significant weight in the  
8 context of this case on the position of the Unsecured  
9 Creditors Committee supporting the plan confirmation, as well  
10 as I noted a moment ago, the position of the United States  
11 Trustee Securities and Exchange Commission, again, supporting  
12 the request for plan confirmation.

13 Counsel has walked the Court through the revisions  
14 to the, the most recent revisions to the proposed form of  
15 confirmation order. The Court had the benefit of blacklines  
16 delivered last weekend or just a few days ago that, again,  
17 identified changes both, to the plan, as well as to the plan  
18 supplement and the proposed form of order.

19 I'm satisfied that the form of the confirmation  
20 order is appropriate.

21 I believe, Ms. Berkovich, I just want to make  
22 sure, is the debtor requesting a waiver of the Rule 6004 stay  
23 for purposes of allowing it to go effective sooner than 14  
24 days?

25 MS. BERKOVICH: Yes, Your Honor.

1                   THE COURT: All right. Based upon the record  
2 before me, I'm satisfied that cause, in fact, does exist and  
3 that the debtors have established that cause exists for a  
4 waiver of that stay in order to permit the debtor to go  
5 effective with this plan. As counsel for the Committee  
6 noted, this is a complex process that involves a significant  
7 number of stakeholders, so the sooner that the debtor can get  
8 it over that finish line, I think the better. The  
9 requirement is waived and, again, the Court would just ask  
10 you to go forth and go effective.

11                   MS. BERKOVICH: Thank you, Your Honor.

12                   Hearing Mr. Kelly speak, I was really struck at  
13 how effective Chapter 11, itself, is as a tool. And we came  
14 in earlier in the year really fighting with the SEC,  
15 literally. They had their issues with the U.S. Trustee and  
16 then, of course, the Creditors Committee the first time they  
17 appeared in the case. And now, six months later, here we  
18 are, really, holding hands with everybody and I think that's  
19 the way Chapter 11 is supposed to work.

20                   So, with that, we will move expeditiously to try  
21 to go effective as quickly as possible. Mr. Snyder is a  
22 seasoned professional. We've already worked with him. We'll  
23 pass on all of our good work to him to make sure that he does  
24 the best for creditors in this case.

25                   We thank Your Honor for working with us over the

1 past eight months. I know this is not good-bye, but the end  
2 of, at least, the plan process, and thank you, and that's all  
3 we have.

4 THE COURT: I'm happy to oblige.

5 I would note that from the discussions that we've  
6 had, there are -- you know, obviously, it is not good-bye;  
7 there are, there's a motion and some other activities that  
8 will likely be coming down the pike. To the extent that the  
9 debtors require access to the Court either for a telephonic  
10 hearing if something comes up or for further hearings to get  
11 the post-effective date case up and running, you can expect  
12 the Court will be a willing partner in that process.

13 But with that, we are adjourned. Congratulations  
14 to the debtor. We stand adjourned.

15 COUNSEL: Thank you, Your Honor.

16 (Proceedings concluded at 11:07 a.m.)

17

18

19

20

21

22

23

24

25

## CERTIFICATION

2 I certify that the foregoing is a correct  
3 transcript from the electronic sound recording of the  
4 proceedings in the above-entitled matter to the best of my  
5 knowledge and ability.

6

7 | /s/ Tracey J. Williams

August 14, 2024

8 Tracey J. Williams, CET-914

9 | Certified Court Transcriptionist

10 | For Reliable

11

12

12

14

1

—

20

21

22

23

24

25